



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 25, 2001

S. 415

Aviation Competition Restoration Act

*As ordered reported by the Senate Committee on Commerce, Science, and Transportation
on March 15, 2001*

SUMMARY

S. 415 would direct the Department of Transportation (DOT) to investigate air carriers' use of landing slots and facilities at the 35 largest airports, and to determine whether reassigning those assets would improve competition between air carriers. Under the bill, DOT could require an air carrier to relinquish airport landing slots and facilities if the agency determines that such assets are not fully utilized or made available to other carriers and that divestiture would improve competition. S. 415 also would authorize the Secretary of Transportation to order air carriers to stop hoarding landing slots and facilities that are underused at the largest airports. Finally, the bill would authorize the appropriation of \$300 million to provide grants to construct new gate facilities if they are necessary to ensure competition among air carriers at the largest airports.

Based on the spending patterns of current grant programs for airports and on information from DOT, CBO estimates implementing S. 415 would cost about \$294 million over the 2001-2006 period, assuming appropriation of the necessary amounts. Because S. 415 would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

S. 415 contains both an intergovernmental and private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would authorize the Secretary of Transportation to break contractual arrangements between public airport operators and private air carriers under certain conditions. CBO estimates that the cost to comply with the intergovernmental mandate would not exceed the threshold established by UMRA (\$56 million in 2001, adjusted annually for inflation). CBO cannot determine whether the direct cost to the private sector would exceed the annual threshold defined by UMRA (\$113 million in 2001, adjusted annually for inflation) because new requirements on air carriers would depend on specific standards that would be established by the Secretary of Transportation, and because information on financial and business arrangements between air carriers and airports is not available.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

For this estimate, CBO assumes S. 415 will be enacted during fiscal year 2001 and that the estimated amounts will be appropriated for each year. The estimated budgetary impact of S. 415 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	1	301	1	1	1	1
Estimated Outlays	1	52	127	67	31	16

BASIS OF ESTIMATE

S. 415 would direct the Department of Transportation to investigate air carriers' use of landing slots and facilities at the 35 largest airports within 90 days of its enactment. Based on information from DOT, CBO estimates that conducting this investigation and issuing regulations to implement its findings would cost about \$1 million in 2001.

S. 415 would authorize the appropriation of \$300 million in 2002 for grants to construct gates if they are necessary to ensure competition among airlines at the largest airports. For this estimate, CBO assumes DOT will find that such grants are necessary. Based on the spending patterns of current grants to airports, CBO estimates implementing this provision would cost about \$288 million over the 2002-2006 period.

Under the bill the Department of Transportation could require an air carrier to relinquish airport assets (i.e., gates or other facilities). Based on information from DOT concerning the costs of litigation, CBO estimates that implementing this provision would cost about \$1 million a year over the 2002-2006 period.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 415 contains both an intergovernmental and private-sector mandate as defined in UMRA because it would authorize the Secretary of Transportation to break contractual arrangements between public airport operators and private air carriers if the Secretary determines that airport gates, facilities, and landing slots are not available or are underutilized and competition would be increased by reallocation of those resources.

CBO estimates that breaking contractual agreements would be unlikely to have a significant impact on airport revenues because any lost gate fees and airfield fees from one air carrier would likely be offset by fees from the new air carrier gaining access to the airport gates and facilities. The bill would impose no significant cost on airport authorities and costs would not exceed the threshold established by UMRA (\$56 million in 2001, adjusted annually for inflation) for intergovernmental mandates. S. 415 would benefit airports by authorizing the appropriation of \$300 million in fiscal year 2002 for grants to enhance competition among air carriers at certain airports. The conditions on such grants would be entered into voluntarily by airports.

The loss of revenues to those air carriers that would be required to relinquish their airport facilities and landing slots would be a gain to the air carriers that would have access to those facilities and slots. CBO cannot determine if the net effect to the air carriers in aggregate would exceed the threshold for private-sector mandates (\$113 million in 2001, adjusted annually for inflation) because we do not know how often the Secretary would use the authority provided in this bill or how air carriers would respond to the loss or gain of facilities and landing slots. Moreover, details about current and future contracts are not available.

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